



# International Agricultural Trade Report

## *Dairy, Livestock, & Poultry Trade Update*

*July 31, 2000*

### **WTO Panel Releases Final Report for Korea's Imported Beef**

#### **Overview**

The WTO Panel that examined Korea's beef import regime and domestic support program released its final report on July 31. The Panel identified a number of measures that were in violation of Korea's WTO obligations and recommended that the Dispute Settlement Body (DSB) request Korea bring these measures into conformity with its obligations. The Panel also identified a number of existing measures to be removed by January 2001.

#### **Measures in Violation of Korea's (WTO) Obligations**

The panel concluded that:

- Korea's separate retail system for beef treats imported beef less favorably than domestic beef.
- The record-keeping requirements for those who purchase imported beef are more stringent than the requirements for those who purchase domestic beef, and, therefore, create an unfair burden for importers.
- The prohibition against cross-trading between end-users of the Simultaneous Buy/Sell (SBS) system is an unfair restriction in the commerce of imported beef.
- The labeling requirements imposed on beef imported through the SBS system that are not also imposed on domestic beef create an unfair burden for importers.
- The Livestock Products Marketing Organization's (LPMO) refusal to call for tenders between November 1997 and May 1998 created an unfair import restriction for imported beef.
- The LPMO's calls for tenders based on grass-fed or grain-fed constitutes an unfair import restriction that discriminates by type of beef.
- Korea's domestic support for beef in 1997 and 1998 was not correctly calculated, exceeded the de minimis level, and was improperly excluded from Korea's Total Aggregate Measure of Support (AMS).

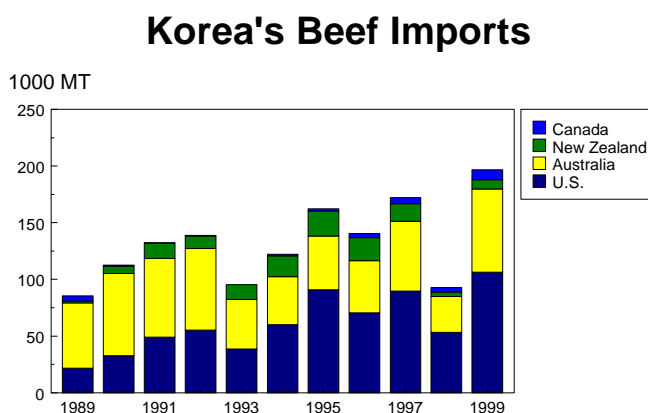
## **Control Measures to Be Brought into Conformity by January 2001**

The panel identified five aspects of Korea's import regime that were ruled to be "remaining restrictions" as defined in Korea's WTO schedule. The panel found these measures to be WTO-inconsistent but interpreted Korea's Uruguay Round schedule to allow the restrictions to continue until January 1, 2001.

- The "mark-up" applied to imports through the SBS system that is additional to the tariff.
- The limitations on participation in the SBS import system, including the super-group membership requirement; the restriction on range of end-users; the prohibition on cross-trading between end-users and super-groups; the quotas and sub-quotas allocated to super-groups according to annual plans rather than demand; and the recording requirements.
- The requirement that the beef imported through the LPMO be distributed only through the wholesale market.
- The LPMO's practice of auctioning beef imports while establishing a minimum wholesale price reference to the domestic price.
- The LPMO's utilization of a licensing system to regulate the importation of beef in order to implement a WTO compatible import quota.

### **Background**

On February 1, 1999, the United States requested consultations with Korea after Korea failed to fill its minimum import quotas in 1997 and 1998 as required under a bilateral Record of Understanding. In 1998, Korea's beef import quota was 187,000 tons while imports totaled just over 92,000 tons. Korea's failure to meet the minimum import requirement brought to light a number of Korean policies that the United States viewed as WTO-inconsistent and impediments to trade.



Consultations between the United States and Korea were held on March 11 and 12, 1999, and joined by Australia, Canada, and New Zealand. Since these consultations did not result in a mutually satisfactory solution of the matter, the United States requested the establishment of a panel on April 15, 1999. On May 25, 1999, the DSB established a panel in accordance with the request made by the United States.

Korea has the option to appeal the Panel ruling. Should Korea exercise this right, an Appellate decision would likely occur in late October 2000, with implementation of these ruling closely coinciding with Korea's obligation to fully liberalize its beef trade by January 1, 2001.

The Panel decision is available on the WTO internet homepage: <http://www.wto.org>

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